

109TH CONGRESS
1ST SESSION

S. 502

To revitalize rural America and rebuild main street, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 3, 2005

Mr. COLEMAN (for himself, Mr. PRYOR, Mr. DEWINE, and Mr. GRAHAM) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To revitalize rural America and rebuild main street, and
for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rural Renaissance
5 Act”.

6 **SEC. 2. RURAL RENAISSANCE CORPORATION.**

7 Subtitle D of the Consolidated Farm and Rural De-
8 velopment Act (7 U.S.C. 1981 et seq.) is amended by add-
9 ing at the end the following new section:

1 **“SEC. 379E. RURAL RENAISSANCE CORPORATION.**

2 “(a) ESTABLISHMENT AND STATUS.—There is estab-
 3 lished a body corporate to be known as the ‘Rural Renais-
 4 sance Corporation’ (hereafter in this section referred to
 5 as the ‘Corporation’). The Corporation is not a depart-
 6 ment, agency, or instrumentality of the United States
 7 Government, and shall not be subject to title 31, United
 8 States Code.

9 “(b) PRINCIPAL OFFICE; APPLICATION OF LAWS.—
 10 The principal office and place of business of the Corpora-
 11 tion shall be in the District of Columbia, and, to the extent
 12 consistent with this section, the District of Columbia Busi-
 13 ness Corporation Act (D.C. Code 29–301 et seq.) shall
 14 apply.

15 “(c) FUNCTIONS OF CORPORATION.—The Corpora-
 16 tion shall—

17 “(1) issue rural renaissance bonds for the fi-
 18 nancing of qualified projects as required under sec-
 19 tion 54 of the Internal Revenue Code of 1986,

20 “(2) establish an allocation plan as required
 21 under section 54(f)(2)(A) of such Code,

22 “(3) establish and operate the Rural Renais-
 23 sance Trust Account as required under section 54(i)
 24 of such Code,

1 “(4) perform any other function the sole pur-
 2 pose of which is to carry out the financing of quali-
 3 fied projects through rural renaissance bonds, and

4 “(5) not later than February 15 of each year
 5 submit a report to Congress—

6 “(A) describing the activities of the Cor-
 7 poration for the preceding year, and

8 “(B) specifying whether the amounts de-
 9 posited and expected to be deposited in the
 10 Rural Renaissance Trust Account are sufficient
 11 to fully repay at maturity the principal of any
 12 outstanding rural renaissance bonds issued pur-
 13 suant to such section 54.

14 “(d) POWERS OF CORPORATION.—The Corpora-
 15 tion—

16 “(1) may sue and be sued, complain and de-
 17 fend, in its corporate name, in any court of com-
 18 petent jurisdiction,

19 “(2) may adopt, alter, and use a seal, which
 20 shall be judicially noticed,

21 “(3) may prescribe, amend, and repeal such
 22 rules and regulations as may be necessary for car-
 23 rying out the functions of the Corporation,

24 “(4) may make and perform such contracts and
 25 other agreements with any individual, corporation,

1 or other private or public entity however designated
2 and wherever situated, as may be necessary for car-
3 rying out the functions of the Corporation,

4 “(5) may determine and prescribe the manner
5 in which its obligations shall be incurred and its ex-
6 penses allowed and paid,

7 “(6) may, as necessary for carrying out the
8 functions of the Corporation, employ and fix the
9 compensation of employees and officers,

10 “(7) may lease, purchase, or otherwise acquire,
11 own, hold, improve, use, or otherwise deal in and
12 with such property (real, personal, or mixed) or any
13 interest therein, wherever situated, as may be nec-
14 essary for carrying out the functions of the Corpora-
15 tion,

16 “(8) may accept gifts or donations of services
17 or of property (real, personal, or mixed), tangible or
18 intangible, in furtherance of the purposes of this sec-
19 tion, and

20 “(9) shall have such other powers as may be
21 necessary and incident to carrying out this section.

22 “(e) NONPROFIT ENTITY; RESTRICTION ON USE OF
23 MONEYS; CONFLICT OF INTERESTS; INDEPENDENT AU-
24 DITS.—

1 “(1) NONPROFIT ENTITY.—The Corporation
2 shall be a nonprofit corporation and shall have no
3 capital stock.

4 “(2) RESTRICTION.—No part of the Corpora-
5 tion’s revenue, earnings, or other income or property
6 shall inure to the benefit of any of its directors, offi-
7 cers, or employees, and such revenue, earnings, or
8 other income or property shall only be used for car-
9 rying out the purposes of this section.

10 “(3) CONFLICT OF INTERESTS.—No director,
11 officer, or employee of the Corporation shall in any
12 manner, directly or indirectly participate in the de-
13 liberation upon or the determination of any question
14 affecting his or her personal interests or the inter-
15 ests of any corporation, partnership, or organization
16 in which he or she is directly or indirectly interested.

17 “(4) INDEPENDENT AUDITS.—An independent
18 certified public accountant shall audit the financial
19 statements of the Corporation each year. The audit
20 shall be carried out at the place at which the finan-
21 cial statements normally are kept and under gen-
22 erally accepted auditing standards. A report of the
23 audit shall be available to the public and shall be in-
24 cluded in the report required under subsection
25 (c)(5).

1 “(f) TAX EXEMPTION.—The Corporation, including
 2 its franchise and income, is exempt from taxation imposed
 3 by the United States, by any territory or possession of
 4 the United States, or by any State, county, municipality,
 5 or local taxing authority.

6 “(g) MANAGEMENT OF CORPORATION.—

7 “(1) BOARD OF DIRECTORS; MEMBERSHIP; DES-
 8 IGNATION OF CHAIRPERSON AND VICE CHAIR-
 9 PERSON; APPOINTMENT CONSIDERATIONS; TERM;
 10 VACANCIES.—

11 “(A) BOARD OF DIRECTORS.—The man-
 12 agement of the Corporation shall be vested in a
 13 board of directors composed of 7 members ap-
 14 pointed by the President, by and with the ad-
 15 vice and consent of the Senate.

16 “(B) CHAIRPERSON AND VICE CHAIR-
 17 PERSON.—The President shall designate 1
 18 member of the Board to serve as Chairperson
 19 of the Board and 1 member to serve as Vice
 20 Chairperson of the Board.

21 “(C) INDIVIDUALS FROM PRIVATE LIFE.—
 22 Five members of the Board shall be appointed
 23 from private life.

24 “(D) FEDERAL OFFICERS AND EMPLOY-
 25 EES.—Two members of the Board shall be ap-

1 pointed from among officers and employees of
2 agencies of the United States concerned with
3 rural development.

4 “(E) APPOINTMENT CONSIDERATIONS.—

5 All members of the Board shall be appointed on
6 the basis of their understanding of and sensi-
7 tivity to rural development processes. Members
8 of the Board shall be appointed so that not
9 more than 4 members of the Board are mem-
10 bers of any 1 political party.

11 “(F) TERMS.—Members of the Board shall

12 be appointed for terms of 3 years, except that
13 of the members first appointed, as designated
14 by the President at the time of their appoint-
15 ment, 2 shall be appointed for terms of 1 year
16 and 2 shall be appointed for terms of 2 years.

17 “(G) VACANCIES.—A member of the

18 Board appointed to fill a vacancy occurring be-
19 fore the expiration of the term for which that
20 member’s predecessor was appointed shall be
21 appointed only for the remainder of that term.
22 Upon the expiration of a member’s term, the
23 member shall continue to serve until a successor
24 is appointed and is qualified.

1 “(2) COMPENSATION, ACTUAL, NECESSARY,
 2 AND TRANSPORTATION EXPENSES.—Members of the
 3 Board shall serve without additional compensation,
 4 but may be reimbursed for actual and necessary ex-
 5 penses not exceeding \$100 per day, and for trans-
 6 portation expenses, while engaged in their duties on
 7 behalf of the Corporation.

8 “(3) QUORUM.—A majority of the Board shall
 9 constitute a quorum.

10 “(4) PRESIDENT OF CORPORATION.—The
 11 Board of Directors shall appoint a president of the
 12 Corporation on such terms as the Board may deter-
 13 mine.”.

14 **SEC. 3. CREDIT TO HOLDERS OF RURAL RENAISSANCE**
 15 **BONDS.**

16 (a) IN GENERAL.—Part IV of subchapter A of chap-
 17 ter 1 of the Internal Revenue Code of 1986 (relating to
 18 credits against tax) is amended by adding at the end the
 19 following new subpart:

20 **“Subpart H—Nonrefundable Credit for Holders of**
 21 **Rural Renaissance Bonds**

 “Sec. 54. Credit to holders of rural renaissance bonds.

1 **“SEC. 54. CREDIT TO HOLDERS OF RURAL RENAISSANCE**
 2 **BONDS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 4 payer who holds a rural renaissance bond on a credit al-
 5 lowance date of such bond which occurs during the taxable
 6 year, there shall be allowed as a credit against the tax
 7 imposed by this chapter for such taxable year an amount
 8 equal to the sum of the credits determined under sub-
 9 section (b) with respect to credit allowance dates during
 10 such year on which the taxpayer holds such bond.

11 “(b) AMOUNT OF CREDIT.—

12 “(1) IN GENERAL.—The amount of the credit
 13 determined under this subsection with respect to any
 14 credit allowance date for a rural renaissance bond is
 15 25 percent of the annual credit determined with re-
 16 spect to such bond.

17 “(2) ANNUAL CREDIT.—The annual credit de-
 18 termined with respect to any rural renaissance bond
 19 is the product of—

20 “(A) the applicable credit rate, multiplied
 21 by

22 “(B) the outstanding face amount of the
 23 bond.

24 “(3) APPLICABLE CREDIT RATE.—For purposes
 25 of paragraph (2), the applicable credit rate with re-
 26 spect to an issue is the rate equal to an average

1 market yield (as of the day before the date of sale
 2 of the issue) on outstanding long-term corporate
 3 debt obligations (determined in such manner as the
 4 Secretary prescribes).

5 “(4) CREDIT ALLOWANCE DATE.—For purposes
 6 of this section, the term ‘credit allowance date’
 7 means—

8 “(A) March 15,

9 “(B) June 15,

10 “(C) September 15, and

11 “(D) December 15.

12 Such term includes the last day on which the bond
 13 is outstanding.

14 “(5) SPECIAL RULE FOR ISSUANCE AND RE-
 15 DEMPTION.—In the case of a bond which is issued
 16 during the 3-month period ending on a credit allow-
 17 ance date, the amount of the credit determined
 18 under this subsection with respect to such credit al-
 19 lowance date shall be a ratable portion of the credit
 20 otherwise determined based on the portion of the 3-
 21 month period during which the bond is outstanding.
 22 A similar rule shall apply when the bond is re-
 23 deemed.

24 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

1 “(1) IN GENERAL.—The credit allowed under
2 subsection (a) for any taxable year shall not exceed
3 the excess of—

4 “(A) the sum of the regular tax liability
5 (as defined in section 26(b)) plus the tax im-
6 posed by section 55, over

7 “(B) the sum of the credits allowable
8 under this part (other than this subpart and
9 subpart C).

10 “(2) CARRYOVER OF UNUSED CREDIT.—If the
11 credit allowable under subsection (a) exceeds the
12 limitation imposed by paragraph (1) for such taxable
13 year, such excess shall be carried to the succeeding
14 taxable year and added to the credit allowable under
15 subsection (a) for such taxable year.

16 “(d) CREDIT INCLUDED IN GROSS INCOME.—Gross
17 income includes the amount of the credit allowed to the
18 taxpayer under this section (determined without regard to
19 subsection (c)) and the amount so included shall be treat-
20 ed as interest income.

21 “(e) RURAL RENAISSANCE BOND.—For purposes of
22 this part, the term ‘rural renaissance bond’ means any
23 bond issued as part of an issue if—

24 “(1) 95 percent or more of the proceeds from
25 the sale of such issue are to be used—

1 “(A) for expenditures incurred after the
2 date of the enactment of this section for any
3 qualified project, or

4 “(B) for deposit in the Rural Renaissance
5 Trust Account for repayment of rural renaiss-
6 sance bonds at maturity,

7 “(2) the bond is issued by the Rural Renais-
8 sance Corporation, is in registered form, and meets
9 the rural renaissance bond limitation requirements
10 under subsection (f),

11 “(3) except for bonds issued in accordance with
12 subsection (f)(4), the term of each bond which is
13 part of such issue does not exceed 30 years,

14 “(4) the payment of principal with respect to
15 such bond is the obligation of the Rural Renaissance
16 Corporation, and

17 “(5) the issue meets the requirements of sub-
18 section (g) (relating to arbitrage).

19 “(f) LIMITATION ON AMOUNT OF BONDS DES-
20 IGNATED.—

21 “(1) NATIONAL LIMITATION.—There is a rural
22 renaissance bond limitation for each calendar year.
23 Such limitation is—

24 “(A) for 2006—

1 “(i) with respect to bonds described in
 2 subsection (e)(1)(A), \$50,000,000,000,
 3 plus

4 “(ii) with respect to bonds described
 5 in subsection (e)(1)(B), such amount (not
 6 to exceed \$15,000,000,000) as determined
 7 necessary by the Rural Renaissance Cor-
 8 poration to provide funds in the Rural
 9 Renaissance Trust Account for the repay-
 10 ment of rural renaissance bonds at matu-
 11 rity, and

12 “(B) except as provided in paragraph (3),
 13 zero thereafter.

14 “(2) LIMITATION ALLOCATED TO QUALIFIED
 15 PROJECTS AMONG STATES.—

16 “(A) IN GENERAL.—Subject to subpara-
 17 graph (B), the limitation applicable under para-
 18 graph (1)(A)(i) for any calendar year shall be
 19 allocated by the Rural Renaissance Corporation
 20 for qualified projects among the States under
 21 an allocation plan established by the Corpora-
 22 tion and submitted to Congress for consider-
 23 ation.

24 “(B) MINIMUM ALLOCATIONS TO
 25 STATES.—In establishing the allocation plan

1 under subparagraph (A), the Rural Renaissance
 2 Corporation shall ensure that the aggregate
 3 amount allocated for qualified projects located
 4 in each State under such plan is not less than
 5 \$500,000,000.

6 “(3) CARRYOVER OF UNUSED LIMITATION.—If
 7 for any calendar year—

8 “(A) the rural renaissance bond limitation
 9 amount, exceeds

10 “(B) the amount of bonds issued during
 11 such year by the Rural Renaissance Corpora-
 12 tion, the rural renaissance bond limitation
 13 amount for the following calendar year shall be
 14 increased by the amount of such excess. Any
 15 carryforward of a rural renaissance bond limita-
 16 tion amount may be carried only to calendar
 17 year 2007 or 2008.

18 “(4) ISSUANCE OF SMALL DENOMINATION
 19 BONDS.—From the rural renaissance bond limitation
 20 for each year, the Rural Renaissance Corporation
 21 shall issue a limited quantity of rural renaissance
 22 bonds in small denominations suitable for purchase
 23 as gifts by individual investors wishing to show their
 24 support for investing in rural America.

25 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—

1 “(1) IN GENERAL.—Subject to paragraph (2),
2 an issue shall be treated as meeting the require-
3 ments of this subsection if as of the date of
4 issuance, the Rural Renaissance Corporation reason-
5 ably expects—

6 “(A) to spend at least 95 percent of the
7 proceeds from the sale of the issue for 1 or
8 more qualified projects within the 3-year period
9 beginning on such date,

10 “(B) to incur a binding commitment with
11 a third party to spend at least 10 percent of the
12 proceeds from the sale of the issue, or to com-
13 mence construction, with respect to such
14 projects within the 6-month period beginning on
15 such date, and

16 “(C) to proceed with due diligence to com-
17 plete such projects and to spend the proceeds
18 from the sale of the issue.

19 “(2) RULES REGARDING CONTINUING COMPLI-
20 ANCE AFTER 3-YEAR DETERMINATION.—If at least
21 95 percent of the proceeds from the sale of the issue
22 is not expended for 1 or more qualified projects
23 within the 3-year period beginning on the date of
24 issuance, but the requirements of paragraph (1) are
25 otherwise met, an issue shall be treated as con-

1 tinuing to meet the requirements of this subsection
 2 if either—

3 “(A) the Rural Renaissance Corporation
 4 uses all unspent proceeds from the sale of the
 5 issue to redeem bonds of the issue within 90
 6 days after the end of such 3-year period, or

7 “(B) the following requirements are met:

8 “(i) The Rural Renaissance Corpora-
 9 tion spends at least 75 percent of the pro-
 10 ceeds from the sale of the issue for 1 or
 11 more qualified projects within the 3-year
 12 period beginning on the date of issuance.

13 “(ii) The Rural Renaissance Corpora-
 14 tion spends at least 95 percent of the pro-
 15 ceeds from the sale of the issue for 1 or
 16 more qualified projects within the 4-year
 17 period beginning on the date of issuance,
 18 and uses all unspent proceeds from the
 19 sale of the issue to redeem bonds of the
 20 issue within 90 days after the end of the
 21 4-year period beginning on the date of
 22 issuance.

23 “(h) RECAPTURE OF PORTION OF CREDIT WHERE
 24 CESSATION OF COMPLIANCE.—

1 “(1) IN GENERAL.—If any bond which when
 2 issued purported to be a rural renaissance bond
 3 ceases to be such a qualified bond, the Rural Renais-
 4 sance Corporation shall pay to the United States (at
 5 the time required by the Secretary) an amount equal
 6 to the sum of—

7 “(A) the aggregate of the credits allowable
 8 under this section with respect to such bond
 9 (determined without regard to subsection (c))
 10 for taxable years ending during the calendar
 11 year in which such cessation occurs and the 2
 12 preceding calendar years, and

13 “(B) interest at the underpayment rate
 14 under section 6621 on the amount determined
 15 under subparagraph (A) for each calendar year
 16 for the period beginning on the first day of
 17 such calendar year.

18 “(2) FAILURE TO PAY.—If the Rural Renais-
 19 sance Corporation fails to timely pay the amount re-
 20 quired by paragraph (1) with respect to such bond,
 21 the tax imposed by this chapter on each holder of
 22 any such bond which is part of such issue shall be
 23 increased (for the taxable year of the holder in which
 24 such cessation occurs) by the aggregate decrease in
 25 the credits allowed under this section to such holder

1 for taxable years beginning in such 3 calendar years
 2 which would have resulted solely from denying any
 3 credit under this section with respect to such issue
 4 for such taxable years.

5 “(3) SPECIAL RULES.—

6 “(A) TAX BENEFIT RULE.—The tax for
 7 the taxable year shall be increased under para-
 8 graph (2) only with respect to credits allowed
 9 by reason of this section which were used to re-
 10 duce tax liability. In the case of credits not so
 11 used to reduce tax liability, the carryforwards
 12 and carrybacks under section 39 shall be appro-
 13 priately adjusted.

14 “(B) NO CREDITS AGAINST TAX.—Any in-
 15 crease in tax under paragraph (2) shall not be
 16 treated as a tax imposed by this chapter for
 17 purposes of determining—

18 “(i) the amount of any credit allow-
 19 able under this part, or

20 “(ii) the amount of the tax imposed
 21 by section 55.

22 “(i) RURAL RENAISSANCE TRUST ACCOUNT.—

23 “(1) IN GENERAL.—The following amounts
 24 shall be held in a Rural Renaissance Trust Account
 25 by the Rural Renaissance Corporation:

1 “(A) The proceeds from the sale of all
2 bonds issued under this section.

3 “(B) The amount of any matching con-
4 tributions with respect to such bonds.

5 “(C) The investment earnings on proceeds
6 from the sale of such bonds.

7 “(D) Any earnings on any amounts de-
8 scribed in subparagraph (A), (B), or (C).

9 “(2) USE OF FUNDS.—Amounts in the Rural
10 Renaissance Trust Account may be used only to pay
11 costs of qualified projects, redeem rural renaissance
12 bonds, and fund the operations of the Rural Renais-
13 sance Corporation, except that amounts withdrawn
14 from the Rural Renaissance Trust Account to pay
15 costs of qualified projects may not exceed the aggre-
16 gate proceeds from the sale of rural renaissance
17 bonds described in subsection (e)(1)(A).

18 “(3) USE OF REMAINING FUNDS IN RURAL
19 RENAISSANCE TRUST ACCOUNT.—Upon the redemp-
20 tion of all rural renaissance bonds issued under this
21 section, any remaining amounts in the Rural Renais-
22 sance Trust Account shall be available to the Rural
23 Renaissance Corporation for any qualified project.

24 “(j) QUALIFIED PROJECT.—For purposes of this sec-
25 tion—

1 “(1) IN GENERAL.—Subject to paragraph (3),
2 the term ‘qualified project’ means a project which—

3 “(A) includes 1 or more of the projects de-
4 scribed in paragraph (2),

5 “(B) is located in a rural area, and

6 “(C) is proposed by a State and approved
7 by the Rural Renaissance Corporation.

8 “(2) PROJECTS DESCRIBED.—A project de-
9 scribed in this paragraph is—

10 “(A) a water or waste treatment project,

11 “(B) a conservation project, including any
12 project to protect water quality or air quality
13 (including odor abatement), any project to pre-
14 vent soil erosion, and any project to protect
15 wildlife habitat, including any project to assist
16 agricultural producers in complying with Fed-
17 eral, State, or local regulations,

18 “(C) an affordable housing project,

19 “(D) a community facility project, includ-
20 ing hospitals, fire and police stations, and nurs-
21 ing and assisted-living facilities,

22 “(E) a value-added agriculture or renew-
23 able energy facility project for agricultural pro-
24 ducers or farmer-owned entities, including any
25 project to promote the production or processing

of ethanol, biodiesel, animal waste, biomass,
raw commodities, or wind as a fuel,

“(F) a rural venture capital project for,
among others, farmer-owned entities,

“(G) a distance learning or telemedicine
project,

“(H) a project to expand broadband tech-
nology, and

“(I) a rural teleworks project.

“(3) SPECIAL RULES.—For purposes of this
subsection—

“(A) any project described in subpara-
graph (E) or (F) of paragraph (2) for a farmer-
owned entity may be considered a qualified
project if such entity is located in a rural area,
or in the case of a farmer-owned entity the
headquarters of which are located in a nonrural
area, if the project is located in a rural area,
and

“(B) any project for a farmer-owned entity
which is a facility described in paragraph
(2)(E) for agricultural producers may be con-
sidered a qualified project regardless of whether
the facility is located in a rural or nonrural
area.

1 “(4) APPROVAL GUIDELINES AND CRITERIA.—

2 “(A) IN GENERAL.—Not later than 60
3 days after the date of the enactment of this sec-
4 tion, the Rural Renaissance Corporation shall
5 consult with the appropriate committees of Con-
6 gress regarding the development of guidelines
7 and criteria for the approval by the Corporation
8 of projects as qualified projects for inclusion in
9 the allocation plan established under subsection
10 (f)(2)(A) and shall submit such guidelines and
11 criteria to such committees.

12 “(B) APPROPRIATE COMMITTEES OF CON-
13 GRESS.—For purposes of subparagraph (A), the
14 term ‘appropriate committees of Congress’
15 means the Committee on Agriculture, Nutrition,
16 and Forestry, the Committee on Commerce,
17 Science, and Transportation, and the Com-
18 mittee on Finance of the Senate and the Com-
19 mittee on Agriculture, the Committee on En-
20 ergy and Commerce, and the Committee on
21 Ways and Means of the House of Representa-
22 tives.

23 “(k) OTHER DEFINITIONS AND SPECIAL RULES.—

24 For purposes of this section—

1 “(1) BOND.—The term ‘bond’ includes any ob-
2 ligation.

3 “(2) RURAL AREA.—The term ‘rural area’
4 means any area other than—

5 “(A) a city or town which has a population
6 of greater than 50,000 inhabitants, or

7 “(B) the urbanized area contiguous and
8 adjacent to such a city or town.

9 “(3) RURAL RENAISSANCE CORPORATION.—The
10 term ‘Rural Renaissance Corporation’ means the
11 Rural Renaissance Corporation established under
12 section 379E of the Consolidated Farm and Rural
13 Development Act.

14 “(4) TREATMENT OF CHANGES IN USE.—For
15 purposes of subsection (e)(1)(A), the proceeds from
16 the sale of an issue shall not be treated as used for
17 a qualified project to the extent that the Rural Ren-
18 aissance Corporation takes any action within its con-
19 trol which causes such proceeds not to be used for
20 a qualified project. The Secretary shall specify reme-
21 dial actions that may be taken (including conditions
22 to taking such remedial actions) to prevent an action
23 described in the preceding sentence from causing a
24 bond to fail to be a rural renaissance bond.

1 “(5) PARTNERSHIP; S CORPORATION; AND
 2 OTHER PASS-THRU ENTITIES.—In the case of a
 3 partnership, trust, S corporation, or other pass-thru
 4 entity, rules similar to the rules of section 41(g)
 5 shall apply with respect to the credit allowable under
 6 subsection (a).

7 “(6) BONDS HELD BY REGULATED INVEST-
 8 MENT COMPANIES.—If any rural renaissance bond is
 9 held by a regulated investment company, the credit
 10 determined under subsection (a) shall be allowed to
 11 shareholders of such company under procedures pre-
 12 scribed by the Secretary.

13 “(7) CREDITS MAY BE STRIPPED.—Under regu-
 14 lations prescribed by the Secretary—

15 “(A) IN GENERAL.—There may be a sepa-
 16 ration (including at issuance) of the ownership
 17 of a rural renaissance bond and the entitlement
 18 to the credit under this section with respect to
 19 such bond. In case of any such separation, the
 20 credit under this section shall be allowed to the
 21 person who on the credit allowance date holds
 22 the instrument evidencing the entitlement to
 23 the credit and not to the holder of the bond.

24 “(B) CERTAIN RULES TO APPLY.—In the
 25 case of a separation described in subparagraph

1 (A), the rules of section 1286 shall apply to the
 2 rural renaissance bond as if it were a stripped
 3 bond and to the credit under this section as if
 4 it were a stripped coupon.

5 “(8) REPORTING.—The Rural Renaissance Cor-
 6 poration shall submit reports similar to the reports
 7 required under section 149(e).”.

8 (b) AMENDMENTS TO OTHER CODE SECTIONS.—

9 (1) REPORTING.—Subsection (d) of section
 10 6049 of the Internal Revenue Code of 1986 (relating
 11 to returns regarding payments of interest) is amend-
 12 ed by adding at the end the following new para-
 13 graph:

14 “(8) REPORTING OF CREDIT ON RURAL RENAISS-
 15 SANCE BONDS.—

16 “(A) IN GENERAL.—For purposes of sub-
 17 section (a), the term ‘interest’ includes amounts
 18 includible in gross income under section 54(d)
 19 and such amounts shall be treated as paid on
 20 the credit allowance date (as defined in section
 21 54(b)(4)).

22 “(B) REPORTING TO CORPORATIONS,
 23 ETC.—Except as otherwise provided in regula-
 24 tions, in the case of any interest described in
 25 subparagraph (A), subsection (b)(4) shall be

1 applied without regard to subparagraphs (A),
 2 (H), (I), (J), (K), and (L)(i) of such subsection.

3 “(C) REGULATORY AUTHORITY.—The Sec-
 4 retary may prescribe such regulations as are
 5 necessary or appropriate to carry out the pur-
 6 poses of this paragraph, including regulations
 7 which require more frequent or more detailed
 8 reporting.”.

9 (2) TREATMENT FOR ESTIMATED TAX PUR-
 10 POSES.—

11 (A) INDIVIDUAL.—Section 6654 of such
 12 Code (relating to failure by individual to pay es-
 13 timated income tax) is amended by redesign-
 14 ating subsection (m) as subsection (n) and by
 15 inserting after subsection (l) the following new
 16 subsection:

17 “(m) SPECIAL RULE FOR HOLDERS OF RURAL REN-
 18 AISSANCE BONDS.—For purposes of this section, the cred-
 19 it allowed by section 54 to a taxpayer by reason of holding
 20 a rural renaissance bond on a credit allowance date shall
 21 be treated as if it were a payment of estimated tax made
 22 by the taxpayer on such date.”.

23 (B) CORPORATE.—Subsection (g) of sec-
 24 tion 6655 of such Code (relating to failure by
 25 corporation to pay estimated income tax) is

1 amended by adding at the end the following
2 new paragraph:

3 “(5) SPECIAL RULE FOR HOLDERS OF RURAL
4 RENAISSANCE BONDS.—For purposes of this section,
5 the credit allowed by section 54 to a taxpayer by
6 reason of holding a rural renaissance bond on a
7 credit allowance date shall be treated as if it were
8 a payment of estimated tax made by the taxpayer on
9 such date.”.

10 (c) CLERICAL AMENDMENTS.—

11 (1) The table of subparts for part IV of sub-
12 chapter A of chapter 1 of the Internal Revenue Code
13 of 1986 is amended by adding at the end the fol-
14 lowing new item:

“SUBPART H. NONREFUNDABLE CREDIT FOR HOLDERS OF RURAL
RENAISSANCE BONDS.”.

15 (2) Section 6401(b)(1) of such Code is amend-
16 ed by striking “and G” and inserting “G, and H”.

17 (d) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to obligations issued after Decem-
19 ber 31, 2005.

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